

NZX Announcement

17 June 2011

Financial Markets Authority v Insured Group Limited

1. On 22 December 2010 the Securities Commission filed civil proceedings against Insured Group Limited (**Insured Group**) for alleged breaches of the continuous disclosure obligations under the Securities Markets Act 1988.
2. The proceedings alleged that Lombard Group Limited (as Insured Group was then known) failed to disclose material information to the market in late 2007 and early 2008 regarding its then subsidiary Lombard Finance and Investments Limited (in Receivership) (**LFIL**). Specifically, the information related to LFIL's five major loans and that company's failing liquidity and cash balances during that period. LFIL was subsequently placed into receivership in April 2008.
3. In March 2010, Perth based Australian Consolidated Insurance Limited engaged in a process to list on the New Zealand Stock Exchange by means of a reverse take-over (**RTO**) of Lombard Group Limited and migration of that company's place of incorporation to Australia.
4. As part of its process of reviewing the case load inherited from the Securities Commission, the Financial Markets Authority (**FMA**) has concluded that the case would not have a significant deterrent effect, being directed at a generation of directors, at the expense of shareholders, who had no involvement in the behaviour at question. FMA has therefore decided to discontinue its proceedings against Insured Group.
5. Insured Group has assured FMA that it understands and accepts the vital importance of strict compliance with its continuous disclosure obligations, and that it will ensure Insured Group continues to comply with them. Insured Group is very supportive of any action(s) taken by FMA to protect the integrity and international competitiveness of New Zealand's capital markets.
6. FMA's separate proceedings against the former directors of LFIL for alleged civil and criminal breaches of the Securities Act 1978 which relate to the same alleged matters are continuing. The criminal charges are set down to be heard by the High Court in October this year.